NOTICE OF PROPOSED TAX CODE CHANGES

NOTICE IS HEREBY GIVEN, that the Town Council may amend the Gilbert Tax Code (GTC) by adopting the **2012-2013 Amendments to the Model City Tax Code** approved by the Municipal Tax Code Commission at hearings held during calendar years 2012 and 2013, summarized as follows:

Substantially all of these changes are the result of recommendations from the Governor's Transaction Privilege Tax
Simplification Task Force and/or state legislative changes.

Section I.

- Excludes from the definition of "Business" in GTC Section 58-100, the transfer of electricity from
 a solar generating system to an electric utility distribution system. This change was made to
 conform to state statute. (Effective January 1, 2007.)
- Expands the definition of "Prosthetic" in GTC Section 58-100, to include orthodontic devices dispensed to a patient by a licensed dental professional. This change was made to conform to state statute. (Effective October 1, 2007.)

Section II.

Repeals GTC Section 58-120, the definitions relating to food for home consumption. These
definitions have been incorporated into the new GTC Section 58-462. Retail Sales: Food for
Home Consumption. (Effective July 1, 2013.)

Section III.

Provides conformity with state statute in the determination of gross income, as defined in GTC Section 58-200, by restricting the taxable value of the sale of nuclear fuel to the value of the purchase price of uranium oxide used in producing the fuel and allowing for the imposition of the tax one time, regardless of the number of transactions that may occur with the fuel. (Effective July 1, 2013.)

Section IV.

Provides conformity with state statute with regards to job printing in GTC 58-425, by allowing a deduction for certain postage and freight expenses associated with the sales of job printing materials as long as the expenses have been separately stated from the sale of the materials. (Effective September 21, 2006.)

Section V.

 Replaces the existing related-party commercial lease exemption with an expanded exemption in GTC 58-445. Provides conformity with state statute. (Effective July 1, 2013.)

Section VI.

 Provides conformity with state statute by adding an exemption in GTC 58-450 regarding the lease or rental of certified ignition interlock devices. (Effective September 1, 2004.)

Section VII.

Excludes the sales of cash equivalents from the measure of the Retail Privilege Tax as taxable income in GTC 58-460. Defines the term "Cash Equivalents". (Effective October 1, 2007.)

Section VIII.

Relocates the imposition of the privilege tax on food for home consumption to a new privilege tax classification, GTC 58-462, which is separate from the Retail Sales privilege tax classification. Provides conformity with state statute. (Effective July 1, 2013.)

Section IX.

Relocates the food sales' exemptions from retail sales to the new food for home consumption classification. Expands the definition of educational entities that are eligible for food sales' exemptions. Adds exemptions for sales of renewable energy credits, sales of magazines or periodicals published by this state which are used to encourage Arizona tourism, sales of paper machine clothing used or consumed in paper manufacturing, sales of overhead materials used in contracts between the US government and the manufacturer and sales to a qualified environmental technology manufacturer. These changes are made to provide conformity with state statute and all are located in GTC 58-465. (All are effective July 1, 2013 with the exception of the energy credit exemption, which is effective January 1, 2007).

Section X.

Provides exemption for the sales of renewable energy credits and the sales of energy provided by a retail electric customer using a solar photovoltaic system in GTC 58-480. Creates conformity with state statute. (Effective January 1, 2007).

Section XI.

Creates a tax on gross income of providing wastewater removal services to Town residents or non-residents who receive these services. The tax rate on the wastewater removal services classification is set at a rate of 0%, in keeping with the current GTC 58-485 treatment of this activity. (Effective July 1, 2013).

Section XII.

Relocates the GTC Regulation 58-120.1 relating to food for home consumption. The definitions have been incorporated into GTC 58-462, Retail Sales: Food for home consumption. (Effective July 1, 2013).

Section XIII.

Revises the GTC Regulation 58-270.1 to include wastewater removal services as a taxable activity for municipalities that choose a tax rate other than 0%. (Effective July 1, 2013).

Section XIV.

Amends the GTC Regulation 58-460.1 that distinguishes retail sales and the transfer of tangible personal property to include food for home consumption and wastewater removal services. (Effective July 1, 2013).

Section XV.

Creates conformity with the Model City Tax Code by adding language to GTC 58-570 which provides taxpayers the right to request additional extensions of time in which to file a petition to protest determinations of the Tax Collector. (Effective July 1, 2008).

Section XVI.

Corrects language in the GTC 58-444, hotel/motel classification, to conform to the Model City Tax Code. This is simply a technical correction. (Effective July 1, 1995).

Section XVII.

Corrects the GTC Regulation 58-300.1(b) to remove the language regarding the taxability of persons who hold three or more rentals of real property. This is simply a technical correction. (Effective October 1, 2010).

Section XVIII.

Corrects the GTC Regulation 58-445.1 to remove the language regarding the taxability of persons who hold three or more rentals of real property. This is simply a technical correction. (Effective October 1, 2010).

NOTE: The summaries above are brief descriptions of each of the Model City Tax Code changes proposed for adoption. They are not intended to be legal interpretations of the changes. Refer to the full text of the proposed tax code amendments for the specific language of each of the changes.

THE TOWN COUNCIL WILL CONSIDER ADOPTION OF THE PROPOSED TAX CODE CHANGES AT ITS REGULAR COUNCIL MEETING ON THURSDAY, DECEMBER 19, 2013 AT 7:00 P.M., AT THE TOWN OF GILBERT MUNICIPAL COMPLEX, 50 E. CIVIC **CENTER DRIVE, GILBERT, ARIZONA 85296**

The complete text of the proposed tax code changes is available for review by the public at the Town of Gilbert Finance Department, 50 E. Civic Center Drive, Gilbert, Arizona 85296, during Town business hours of Monday through Thursday, 7AM to 6PM. It may also be reviewed on the Town Website at www.gilbertaz.gov. For more information contact John Olsen, Tax Compliance Manager, Town of Gilbert at (480) 503-6991.

Posted on Town Website October 19, 2013, no less than sixty (60) days prior to Council meeting.